

APPENDIX F

WATER SUPPLY AGREEMENTS

- Purchase Order for Imported Water Supply to be provided by the Metropolitan Water District of Southern California
- Agreement between the Western Municipal Water District of Riverside County and the Elsinore Valley Municipal Water District for the Reciprocal Use of Certain Assets Related to the Production and/or Conveyance of Water.
- Non-Potable Water Project Agreement City of Riverside and Western Municipal Water District of Riverside County

**Purchase Order for Imported Water Supply to be Provided by
the Metropolitan Water District of Southern California**

**PURCHASE ORDER FOR IMPORTED WATER SUPPLY TO BE PROVIDED BY
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

PURCHASER: Western Municipal Water District of Riverside County	TERM 10 years
INITIAL BASE DEMAND: <u>65,298.5</u> acre-feet	EFFECTIVE DATE: January 1, 2003
INITIAL TIER 1 ANNUAL MAXIMUM: <u>58,768.7</u> acre-feet	
PURCHASE ORDER COMMITMENT: <u>391,791.0</u> acre-feet	

Definitions of capitalized terms used in this Purchase Order are provided in Attachment 1. Terms used in this Purchase Order and not defined in Attachment 1 are defined in Metropolitan's Administrative Code.

COMMITMENT TO PURCHASE.

In consideration of Purchaser's commitment to purchase System Water pursuant to this Purchase Order, Metropolitan agrees to sell such System Water to Purchaser at the Tier 1 Supply Rate each year in an amount up to the Tier 1 Annual Maximum. System Water sold to Purchaser (excluding deliveries of System Water made under the Interim Agricultural Water Program and Long-term Seasonal Storage Service) in an amount greater than the Tier 1 Annual Maximum shall be sold to the Purchaser at the Tier 2 Supply Rate. In connection with the receipt of System Water, the Purchaser also agrees to pay all other applicable rates and charges, as established by Metropolitan from time to time in accordance with Section 4304 of the Administrative Code. The rates and charges applicable to System Water as of the Effective Date are shown in Attachment 2.

Purchaser agrees to purchase System Water from Metropolitan during the Term in an amount (excluding deliveries of System Water, made under the Interim Agricultural Water Program and Long-term Seasonal Storage Service) not less than the Purchase Order Commitment.

Purchaser recognizes and agrees that Metropolitan has relied and will, during the term of this Purchase Order, rely on this commitment by Purchaser in setting its rates and charges, planning and providing its capital facilities and developing its water supply, management and reliability programs. If Purchaser's applicable System Water purchases during the Term are less than the Purchase Order Commitment, Purchaser agrees to pay Metropolitan an amount equal to the difference between the Purchase Order Commitment and Purchaser's applicable System Water purchases during the Term times the average of the Tier 1 Supply Rate in effect during the Term. The Purchaser agrees to pay such amount to Metropolitan within the next regular billing cycle following the reconciliation of all certifications for special programs that the Purchaser may participate in (e.g. Interim Agricultural Water Program, Long-term Seasonal Storage Service). The Purchaser may elect to pay such amount in twelve equal monthly

payments over the course of the next twelve months beginning with the first regular billing cycle following the reconciliation of all outstanding certifications for special programs. If the Purchaser elects to pay such amount over the course of the next twelve months following the regular billing cycle any outstanding balance shall bear interest at Metropolitan's then current investment portfolio average yield. All other amounts payable under this Purchase Order shall be billed and paid in accordance with the Administrative Code.

The Purchaser further recognizes that this Purchase Order is entered into for the direct benefit of the holders and owners of Metropolitan's Bonds issued from time to time under the Act and the Bond Resolutions, and the income and revenues derived from this Purchase Order will be pledged for the purposes set forth in the Bond Resolutions, including the payment of principal of and interest on such Bonds.

RENEWAL:

Prior to but not later than December 31, 2010, the Purchaser may provide a non-binding written notice to Metropolitan of the Purchaser's determination to extend this Purchase Order. Upon the receipt of such notice, the Board of Directors of Metropolitan (the "Board") shall determine whether Metropolitan will continue to provide System Water to member agencies by Purchase Order. If the Board so determines, the Purchaser and Metropolitan shall amend this Purchase Order to include an extended term and/or to include such other terms and conditions as may be mutually agreed by the parties. If the Purchaser elects not to renew this Purchase Order it will terminate upon the expiration of the Term.

WATER SERVICE:

Conditions of water service by Metropolitan to the Purchaser, including but not limited to (i) delivery points, (ii) water delivery schedules, and (iii) water quality, will be determined in accordance with Chapter 5 (Section 4500 through 4514, inclusive, as applicable) of Metropolitan's Administrative Code.

In accordance with its Administrative Code, Metropolitan shall use its reasonable best efforts to supply System Water in the quantities requested by the Purchaser, but is not obligated to dedicate any portion of System capacity for the conveyance, distribution, storage or treatment of System Water for the benefit of the Purchaser or any other member agency. Metropolitan shall use its reasonable best efforts to deliver the Base Demand when needed by the Purchaser during the Term; provided however, there shall be no default under this Purchase Order if Metropolitan fails to deliver water to the Purchaser in accordance with any such schedule of deliveries during the Term.

By execution of this Purchase Order, the Purchaser recognizes and agrees that it acquires no interest in or to any portion of the System or any other Metropolitan facilities, or any right to receive water delivered through the System, excepting the right to purchase up to Purchaser's Tier 1 Annual Maximum at the Tier 1 Supply Rate provided that System Water is available. This Purchase Order governs pricing of the System Water delivered to the Purchaser pursuant to this Purchase Order and does not confer any entitlement to receive System Water.

System Water provided to the Purchaser under the terms of this Purchase Order shall be subject to reduction in accordance with the shortage allocation provisions of the Water Surplus and Drought Management Plan (the "WSDM Plan") or other such policies and principles governing the allocation of System Water as adopted by the Board.

In the event that Metropolitan's Board determines to reduce, interrupt or suspend deliveries of System Water (excluding deliveries of System Water made under the Interim Agricultural Water Program and Long-term Seasonal Storage Service) any outstanding balance of the Purchase Order Commitment at the end of the Term shall be reduced by the reduction in System Water made available to the Purchaser under this Purchase Order.

MISCELLANEOUS:

This Purchase Order will be interpreted, governed and enforced in accordance with the laws of the State of California.

This Purchase Order will apply to and bind the successors and assigns of the Purchaser and Metropolitan.

No assignment or transfer of the rights of the Purchaser under this Purchase Order will be valid and effective against Metropolitan or the Purchaser without the prior written consent of Metropolitan and the Purchaser.

If at any time during the Term, by reason of error in computation or other causes, there is an overpayment or underpayment to Metropolitan by the Purchaser of the charges provided for under this Purchase Order, which overpayment or underpayment is not accounted for and corrected in the annual re-determination or reconciliation of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the Purchaser. Metropolitan will notify the Purchaser in writing regarding the amount of such credit or debit, as the case may be. In no case will credits or debits for charges provided for under this Purchase Order be administered beyond the limit for billing adjustments as specified in Metropolitan's Administrative Code.

IN WITNESS WHEREOF, this Purchase Order is executed by the duly authorized officers of the Metropolitan Water District of Southern California and [Purchaser], to be effective January 1, 2003.


THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

WESTERN MUNICIPAL WATER DISTRICT
OF RIVERSIDE COUNTY

By:


Ronald R. Gastelum
Chief Executive Officer

By:


[Title] GENERAL MANAGER

APPROVED AS TO FORM AND CONTENT:

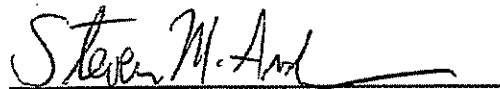
General Counsel

Best Best & Krieger LLP
General Counsel

By:



By:



Attachment 1
Purchase Order for Imported Water Supplies
DEFINITIONS

"Act" means the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and supplemented from time to time.

"Base Demand" means the greater of (i) the Initial Base Demand or (ii) the ten-year rolling average of the Purchaser's Firm Demand, measured on a fiscal year basis.

"Bonds" means water revenue bonds or notes issued under the Bond Resolutions.

"Bond Resolutions" means Resolution No. 8329 or Resolution No. 8322, both as amended and supplemented, or any other resolution authorizing the issuance of bonds, notes or other obligations secured by Metropolitan's water sales revenues.

"Effective Date" means the effective date of this Purchase Order as specified above.

"Firm Demand" means the Purchaser's purchases of non-surplus System Water supplies, including full-service and seasonal shift deliveries.

"Initial Base Demand" means the Purchaser's highest annual Firm Demand on Metropolitan in any fiscal year during the period from fiscal year 1989/90 through fiscal year 2001/02. In accordance with procedures set forth in Metropolitan's Administrative Code, the Initial Base Demand will be revised to reflect certified and verified deliveries under the Interim Agricultural Water Program and Long-term Seasonal Storage Service Program as such certifications affect the Initial Base Demand.

"Metropolitan" means The Metropolitan Water District of Southern California.

"Purchase Order Commitment" means 60% of the Initial Base Demand times 10. Deliveries of System Water made under the Interim Agricultural Water Program and Long-term Seasonal Storage Service, will not count toward the Purchase Order Commitment.

"Purchase Order" means this Purchase Order.

"Purchaser" means the member public agency specified above, a duly organized [city/water district/county water authority] of the State of California.

"System" means the properties, works and facilities of Metropolitan necessary for the supply, development, storage, conveyance, distribution, treatment or sale of water.

"System Water" means water supplies developed by Metropolitan and delivered to the Purchaser through the System or other means (e.g. conjunctive use storage).

"Term" means the term of this Purchase Order as specified above.

"Tier 1 Annual Maximum" means an amount equal to 90% of the Base Demand.

"Tier 1 Supply Rate" means Metropolitan's per-acre-foot Tier 1 Supply Rate, as determined from time to time by Metropolitan's Board of Directors. The initial Tier 1 Rate is \$73/AF.

"Tier 2 Supply Rate" means Metropolitan's per-acre-foot Tier 2 Supply Rate, as determined from time to time by Metropolitan's Board of Directors. The initial Tier 2 Rate is \$154/AF.

"Water Surplus and Drought Management Plan (WSDM)" means Metropolitan's policy and procedures for managing supplies and drought conditions as adopted by the Board from time to time.

Attachment 2
Purchase Order for Imported Water Supplies
RATES AND CHARGES

	Effective January 1, 2003
Tier 1 Supply Rate (\$/af)	\$73
Tier 2 Supply Rate (\$/af)	\$154
System Access Rate (\$/af)	\$141
System Power Rate (\$/af)	\$89
Water Stewardship Rate (\$/af)	\$23
Untreated Long-term Storage Water Rate (\$/af)	\$233
Untreated Interim Agricultural Water Program (\$/af)	\$236
Treated Long-term Storage Water Rate (\$/af)	\$290
Treated Interim Agricultural Water Program (\$/af)	\$294
Treatment Surcharge (\$/af full-service)	\$82
Readiness-to-Serve Charge (\$millions)	\$80.0
Capacity Reservation Charge (\$/cfs)	\$6,100
Peaking Surcharge (\$/cfs)	\$18,300

**Agreement between the Western Municipal Water District of
Riverside County and the Elsinore Valley Municipal Water
District for the Reciprocal Use of Certain Assets Related to
the Production and/or Conveyance of Water**

AMENDMENT NO. 1

AGREEMENT BETWEEN THE WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY AND THE ELSINORE VALLEY MUNICIPAL WATER DISTRICT FOR THE RECIPROCAL USE OF CERTAIN ASSETS RELATED TO THE PRODUCTION AND/OR CONVEYANCE OF WATER

THIS FIRST AMENDMENT ("Amendment") is executed by and between the WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY, a municipal water district ("Western"), and the ELSINORE VALLEY MUNICIPAL WATER DISTRICT, a municipal water district ("EVMWD"). Western and EVMWD are sometimes hereinafter individually referred to as "Party" and hereinafter collectively referred to as the "Parties." This Amendment shall be considered by the Parties to be dated and effective as of February 1, 2003.

RECITALS

A. Western and EVMWD are parties to an agreement dated August 23, 2001, entitled "Agreement Between the Western Municipal Water District of Riverside County and the Elsinore Valley Municipal Water District for the Reciprocal Use of Certain Assets Related to the Production and/or Conveyance of Water" (hereinafter "Reciprocal Use Agreement"). In general, the Reciprocal Use Agreement provides that subject to specified terms and conditions, EVMWD may use up to nine (9.0) cubic feet per second (cfs) of capacity in Reaches A through F of the Mills Pipeline to receive water, and Western may use certain groundwater production rights and facilities, and certain canal carrying rights owned by EVMWD ("EVMWD Assets"), to produce and convey up to nine (9.0) cubic feet per second of water.

B. Western is also party to an agreement with the Orange County Water District ("OCWD"), dated December 16, 2001 ("OCWD Agreement"), which provides that subject to certain terms and conditions, the groundwater produced and conveyed by Western with the EVMWD Assets shall be discharged by Western into the Santa Ana River, and OCWD shall pay Western \$150.00 for every acre-foot of delivered groundwater, for purposes of helping recharge groundwater resources in Orange County.

C. EVMWD has determined that the EVMWD Assets are capable of producing and conveying additional quantities of groundwater, and Western and EVMWD now desire to amend the Reciprocal Use Agreement to provide for the delivery and conveyance of additional quantities of groundwater to meet the purposes identified in the Reciprocal Use Agreement and the OCWD Agreement.

NOW THEREFORE, in consideration of the mutual covenants and conditions stated herein and other valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

TERMS

1.0 **Section 3.3 Added to Reciprocal Use Agreement.** A new Section 3.3 is hereby added to the Reciprocal Use Agreement to read as follows:

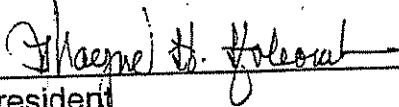
"3.3 **Production, Conveyance, and Payment of Additional Water.** Notwithstanding Sections 3.0 and 3.1 of this Agreement, and subject to the availability of water and capacity in the EVMWD Assets, EVMWD may produce and deliver to Western, at the locations designated in Section 3.1 of this Agreement, more than nine (9.0) cfs of water. Notwithstanding Section 3.2 of this Agreement, if during any one (1) month, EVMWD produces and delivers to Western, at the locations designated in Section 3.1 of this Agreement, more than five hundred and forty three (543) acre-feet of water, then Western shall pay to EVMWD one hundred and fifty dollars (\$150.00) for every acre-foot of water produced and delivered to Western during that month in excess of five hundred and forty three (543) acre-feet, and no other charges shall be applied or assessed to Western for the production or delivery of such water. Western, however, shall have no obligation to make any payment for water delivered by EVMWD pursuant to this Section during such times as the water would escape to the ocean and not be available for recharge purposes within Orange County; provided that Western has given notice to EVMWD of such conditions."

2.0 **Affirmation of Reciprocal Use Agreement.** Except as amended by this Amendment, all provisions of the Reciprocal Use Agreement shall remain in full force and effect and shall govern the actions of the Parties. Each Party represents and warrants to the other that except as amended by this Amendment, there have been no written or oral modifications of the Reciprocal Use Agreement. Each Party ratifies and reaffirms each and every one of their respective rights and obligations arising under the Reciprocal Use Agreement. Each Party represents and warrants to the other that the Reciprocal Use Agreement is currently an effective, valid, and binding obligation.

3.0 **Definitions.** Terms not otherwise expressly defined in this Amendment, shall have the meaning and intent set forth in the Reciprocal Use Agreement.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their respective duly authorized officers.

WESTERN MUNICIPAL WATER
DISTRICT OF RIVERSIDE COUNTY

By: 
President

Date: 4-16-03

ELSINORE VALLEY MUNICIPAL
WATER DISTRICT

By: 
President

Date: 4/23/04

**Non-Potable Water Project Agreement City of Riverside and
Western Municipal Water District of Riverside County**

**NON-POTABLE WATER PROJECT AGREEMENT
CITY OF RIVERSIDE AND WESTERN MUNICIPAL
WATER DISTRICT OF RIVERSIDE COUNTY**

AGREEMENT, made this 5th day of March 2003 between the City of Riverside ("City"), a municipal corporation, and Western Municipal Water District of Riverside County ("Western"), a municipal water district.

RECITALS:

1. The City owns and operates a municipal water supply system which provides water for domestic and irrigation purposes. Included as part of the City's water system are wells, pipelines and appurtenant facilities located in the Colton and Riverside Basins, and in the San Bernardino Basin Area, as those areas are described in the Judgment in *Western Municipal Water District v. East San Bernardino Water District*, Riverside Superior Court No. 78426.

2. Western also owns and operates potable and non-potable water supply systems which provide water service to the eastern portion of the City located at high elevations, and to adjacent areas located outside of the City but within the City's sphere of influence. Western's present water supply comes from The Metropolitan Water District of Southern California ("MWD"), and is used for both domestic purposes and the irrigation of

agricultural and other lands. Western has a need for non-potable water to be used for irrigation purposes in lieu of deliveries from MWD.

3. The Santa Ana Watershed Project Authority ("SAWPA") is a joint powers agency established for the protection of water quality and supply within the Santa Ana River Watershed. One SAWPA project, known as Project No. 16, calls for additional pumping of non-potable water from the Colton and Riverside Basins in order to lower the groundwater table, to enhance storm flow recharge, and thereby to improve the quality of groundwater in the Basin.

4. The City also owns and operates the Riverside Canal, which transports water from the Colton and Riverside Basins as far as Jefferson Street in the City. At times, the Canal also carries storm flow runoff.

5. Western also asserts that it may have groundwater available from the San Bernardino Basin Area and the Colton and Riverside Basins pursuant to agreements with the San Bernardino Valley Municipal Water District and the Elsinore Valley Municipal Water District (as successor to the rights of Agua Mansa and Meeks & Daley mutual water companies).

6. The purpose of this Agreement is to provide for the sale of non-potable water from the City to Western and to allow the limited use of surplus capacity in the Riverside Canal, and in City pipelines and appurtenant facilities, when such capacity is available, in order to supply non-potable water to Western; to improve the quality of groundwater in the Colton and Riverside Basins; and to assist in the improvement of the Riverside Canal.

7. Western represents, as the appropriate lead agency for the project, that all proceedings required under the California Environmental Quality Act ("CEQA") in order to permit approval of the project, and execution of this Agreement have been completed in accordance with law, and to the satisfaction of SAWPA and the State Water Resources Control Board for purposes of grant funding.

8. Proposition 13, adopted by the California voters in March of 2000, authorized the Southern California Integrated Watershed Program ("SCIWP") for the purpose of allocating Proposition 13 Water Bond Funds. The Santa Ana Watershed Project Authority, which acts initially as the State of California's representative for funding under the SCIWP, recommended to the State for approval and the State has now approved, a \$5,250,000 grant to the City of Riverside for the reconstruction of portions of the Riverside Canal, and a \$7,425,000 grant to Western for the non-potable water project. Both of these grants have now been approved by the State Water Resources Control Board. The City's grant is subject to the execution of this Agreement.

AGREEMENT

Based upon the foregoing facts, and in consideration of the mutual covenants of the parties, it is hereby agreed as follows:

9. Supply. To the extent that the City has surplus non-potable water available, the City shall sell to Western such quantities of non-potable water as Western may determine it needs, subject to two conditions: (1) such quantities shall not exceed a rate of flow of 7,200 gpm and 6,000 acre-feet per year at the point of delivery, and (2) surplus capacity is available in the Riverside Canal for the delivery of such water to Western. The wells to be used for such purpose shall be determined by the City in its sole discretion, provided that the City shall use its best efforts to use wells best suited to accomplish the purposes of SAWPA's Project 16, as identified in the SAWPA Project Information Form for Potential SCIWP Funding, a copy of which is attached hereto as Exhibit A. The City, at its sole discretion, may provide surplus water to Western in excess of the quantities stated above, but Western shall have no right under this agreement to demand such sale.

The City makes no representations or warranties as to the capacity of its wells or the quality of the water to be sold. The City will use its best efforts to sell whatever amounts of non-potable water that may be requested by Western, but does not guarantee either the quantity or timing of such deliveries. The parties recognize (aside from capacity limitations)

that the City's facilities and the Riverside Canal may sometimes be shut down for repairs, or the Canal may be unavailable because of storm flow conditions.

If the City does not have sufficient non-potable water to sell and meet the 7,200 gpm/6,000 acre-feet per year quantities identified above, Western may acquire such supplies, in whole or in part, from others who pump from the Santa Ana River System, or from its own wells, for delivery through the Riverside Canal. Western shall bear the full cost of constructing and operating facilities necessary to deliver water into the Riverside Canal other than the City's wells. In addition, with City approval, Western may utilize surplus capacity in the Riverside Canal, as set forth below, to convey water which Western may acquire from the Santa Ana River System.

Any water introduced by Western into the Canal shall not result in the diminution of the beneficial use or quality of the water otherwise in the Canal. Any such water shall only be introduced if City has approved point of delivery of any such water and quality of such water. Western shall construct, operate and pay for all facilities necessary to take water from the point of delivery.

10. Riverside Canal Capacity. The surplus carrying capacity existing from time to time in the Riverside Canal for the transportation of non-potable water shall be subject to: (1) the City's own present and future uses for the Canal; (2) the carrying rights of the

Elsinore Valley Municipal Water District, as successor to the Confirming Agreement with the Temescal Water Company, dated November 18, 1974, or to any party holding rights thereto by agreement with Elsinore Valley Municipal Water District; (3) the Water Exchange Agreement between the City and The Gage Canal Company, dated March 12, 1991; and (4) any use of the canal for storm flow runoff. The Canal capacity subject to this Agreement extends from its headworks, downstream to approximately Jefferson Street in the City.

11. Pumping and Transportation Payments. The pricing structure for all water pumped and delivered by the City to Western pursuant to this Agreement shall be based upon the incremental costs incurred by the City. It is the intent of the parties that such costs will be calculated so that financially the City is no better off, nor worse off, than it would be in the absence of water deliveries to Western. Initially, Western shall pay the City \$38 per acre-foot for non-potable delivered water. This total is based on the cost of the following components: (a) energy to pump groundwater from wells, \$20 per acre-foot; (b) well and well pump operating labor and maintenance, \$11 per acre-foot; (c) amortization of well rehabilitation, \$2 per acre-foot; and (d) additional maintenance or other legally-required improvement to Riverside Canal from Arlington to Jefferson, \$5 per acre-foot. Such incremental cost does not include a general fund transfer fee, which is currently set by the Riverside City Council at 11.5%.

To the extent that Western may convey water through the Riverside Canal that is not pumped by the City, as provided in Section 9 above, Western shall pay only the costs of additional maintenance of the Riverside Canal from Arlington to Jefferson Street, as provided in Section 11(d) above. Charges for the use of the Riverside Canal for water delivered to Western pursuant to Agua Mansa and Meeks & Daley water rights, and agreement with Elsinore Valley Municipal Water District, are governed by prior agreements affecting those rights, and are not subject to this Agreement. Western's rights to the use of surplus capacity in the Riverside Canal, as provided herein, are in addition to any rights that Western may hold pursuant to agreement with the Elsinore Valley Municipal Water District.

The prices paid by Western hereunder shall be reviewed periodically as requested by either party, and shall be adjusted as may be necessary to reflect changes in any incremental cost components associated with this Agreement.

12. Point of Delivery and Metering: The point of delivery to Western of water sold or transported pursuant to this Agreement shall be at the end of the active portion of Riverside Canal near Jefferson Street. Western shall install, maintain and calibrate a meter on the discharge side of its pumps at the point of delivery. Charges shall be determined on the basis of such metered deliveries. Western shall present evidence that the meter is properly calibrated and read. The City may require the meter to be recalibrated. Western

shall have the sole responsibility to construct, operate and pay for all facilities necessary to take the water from the point of delivery for use within its own service area.

13. Treatment of Delivered Water. Western at its own expense shall have the right to treat the non-potable water delivered hereunder, and to put all or any part of such deliveries to any beneficial use for which the treated water is appropriate; provided that Western shall not require any degree of quality of the non-potable water delivered in order to make such water treatable for domestic use, or to complain otherwise about any condition affecting the Riverside Canal that would preclude the use of water delivered hereunder for domestic purposes. This Agreement shall not preclude the City from using the Riverside Canal for transmission and/or delivery of recycled water. The quality of the water shall be in accordance with California Code of Regulations, Title 22, Section 60304(a)(5), pertaining to use of recycled water for irrigation of unrestricted access golf courses.

14. Elsinore Water. By agreement with the Elsinore Valley Municipal Water District, Western has the right to 9 cfs of water from the former Meeks & Daley, Agua Mansa wells ("Elsinore Water"), and carrying rights for such water in the Gage or Riverside Canals. Western shall have the right to deliver its Elsinore water, whenever it is available, through the Riverside Canal and the City's storm drain system for discharge to the Santa Ana River. So long as the City delivers to Western 7,200 gpm/6,000 acre-feet per year of non-potable water, Western shall not utilize the City's Olivewood booster station to take delivery

of its Elsinore water at the Gage Canal, and instead will discharge such water to the Santa Ana River through the City's storm drain system. If the City does not deliver to Western 7,200 gpm/6,000 acre-feet per year of non-potable water, then Western will still take delivery of any Elsinore water from the Riverside Canal at its Jefferson Street pump station, provided Western's pump station and pipeline to the Gage Canal are operational. However, if such facilities are not operational, then Western reserves the right to require delivery of its Elsinore water at the end of the Gage Canal.

15. Recordation Filings. The City shall include all Riverside Basin pumping for delivery to Western in its Notices filed pursuant to Water Code Sections 5000 et seq. Western, however, does not waive any claim to the water rights associated with such pumping.

16. Indemnity. Except as to sole negligence, or willful misconduct of City, Western shall defend, indemnify and hold City, their officers, agents, and employees harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees), or claims for injury or damages arising out of this Agreement to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or resulting from the acts or omissions of Western, its officers, agents, or employees. The parties expressly agree that any payment, attorney fee, cost or expense City incurs or makes to or on behalf of an injured employee under City's self-administered workers' compensation

program is included as a loss, expense or cost. The provisions of this paragraph shall survive the expiration or early termination of this Agreement.

17. Term. The term of this Agreement shall be for 20 years, commencing when the City first delivers water to Western hereunder. The parties may renew the Agreement for an additional 20-year term, subject to re-negotiation of costs on an incremental basis, and approval thereof shall not be unreasonably withheld. If the City decides to abandon the Riverside Canal during the term of this Agreement, or any renewal thereof, Western shall have an option to acquire the City's interest in the portion of the Riverside Canal covered by this Agreement at the fair market value of the property at the time the option is exercised, and subject to whatever obligations may then exist.

18. Integration. This Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement between the Parties pertaining to the subject matter of this Agreement, and supersedes all prior and contemporaneous understandings or agreements of the parties. Neither party has been induced to enter into this Agreement by, and neither party is relying on, any representation or warranty outside those expressly set forth in this Agreement.

19. CEQA. If any court, governmental official, agency, department or bureau having jurisdiction over activities arising out of this Agreement or under Project 16, requires

further review or compliance under the California Environmental Quality Act ("CEQA") by or from the City, Western shall, at its own expense, comply with all such requirements. Western shall also reimburse the City for any costs the City may incur in complying with such CEQA requirements or in any lawsuit arising out of such CEQA requirements, including but not limited to attorneys' fees, filing fees or other court costs, any costs incurred in connection with any lawsuits brought against City as a result of this Agreement, and any costs of environmental studies and reviews.

IN WITNESS WHEREOF, the parties have executed this Agreement, to be effective on the date above written.

CITY OF RIVERSIDE

By: 

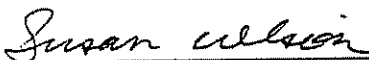
City Manager

ATTEST:



City Clerk
City of Riverside

APPROVED AS TO FORM:


City Attorney